Market Price and the price of the Interests.

Virtual currencies currently face an uncertain regulatory landscape not only in the United States but also in many foreign jurisdictions such as the European Union, China, Japan and Russia. While certain governments such as Germany – where the Ministry of Finance has declared bitcoins to be "Rechnungseinheiten" (a form of private money that is recognized as a unit of account, but not recognized in the same manner as fiat currency) –have issued guidance as to how to treat bitcoins, most regulatory bodies have not yet issued official statements regarding their intention to regulate or determinations on regulation of virtual currencies, virtual currency users and the virtual currency networks. Taiwan, on the other hand, has issued some preliminary guidance that bitcoin is a digital good, distinct from fiat currency, and could take a similar position towards other virtual currencies, while Sweden, Finland and Norway are among those to categorize virtual currencies as a form of virtual asset or commodity. In July 2014, the European Court of Justice indicated it would determine what value-added tax treatment should be afforded to virtual currency transactions throughout the European Union (the "**EU**"). In China, a recent government notice classified bitcoins as legal and "virtual commodities;" however, the same notice restricted the banking and payment industries from using bitcoin, creating uncertainty and limiting the ability of virtual currency exchanges to operate in the then-second-largest virtual currency market. On August 20, 2014, the Australian Taxation Office released guidance stating that virtual currency transactions will be "treated like barter transactions with similar taxation conseqences" and that "[i]ndividuals who use bitcoin as an investment may be subject to capital gains tax rules when they dispose of it, as they would for shares of similar assets," while the Australian Senate has also recently launched an inquiry into the country's tax treatment and regulation of virtual currency.[3] The government of Israel and the Israel Tax Authority are reportedly looking into taxing the profits from bitcoin trading. Conversely, regulatory bodies in some countries such as India and Switzerland have declined to exercise regulatory authority when afforded the opportunity. In March 2014, after the collapse of Mt. Gox, Japan confirmed that under its laws virtual currency is not considered a currency and therefore not subject to regulation. At the other extreme, Russia's Ministry of Finance has issued a draft bill that would ban virtual currency and other "money surrogates" and impose monetary penalties for its use or even the advocacy of its use. In July 2014, Ecuador banned the use of digital currencies and announced a plan to create a state digital currency backed by assets of the Ecuadorian central bank. In May 2014, the Central Bank of Bolivia banned the use as currency of digital assets.

Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect the XRP Exchange Market, and its users, particularly XRP Exchanges and service providers that fall within such jurisdictions' regulatory scope. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of XRP by users, merchants and service providers outside the United States and may therefore impede the growth or sustainability of the XRP economy in the European Union, China, Japan, Russia and the United States and globally, or otherwise negatively affect the value of XRPs.

The effect of any future regulatory change on the Fund or XRP is impossible to predict, but such change could be substantial and adverse to the Fund and the value of the Interests.

3 Note by JF: the findings are expected this month.

Countries, including the United States, may in the future curtail or outlaw, the acquisition, use or redemption of XRPs. Ownership of, holding or trading in Interests may then be considered illegal and subject to sanction.

Countries may in the future take regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade XRPs or to exchange XRPs for fiat currency. By extension, similar actions by other countries, including the United States, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Interests. Such a restriction could result in the termination and liquidation of the Fund at a time that is disadvantageous to Partners, or may adversely affect an investment in the Interests.

If regulatory changes or interpretations of the Fund's activities require the regulation of the Fund as a money service business under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, the Fund may be required to register and comply with such regulations. To the extent that the Manager decides to continue the Fund, the required registrations and regulatory compliance steps may result in extraordinary, recurring and/or non-recurring expenses to the Fund. The Manager may also decide to terminate the Fund. Termination of the Fund in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors.

To the extent that the activities of the Fund cause it to be deemed a "money services business" under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, the Fund may be required to comply with FinCEN regulations, including those that would mandate the Fund to implement an anti-money laundering program, make certain reports to FinCEN and maintain certain records. Such additional regulatory obligations may cause the Fund to incur extraordinary expenses, possibly affecting an investment in the Interests in a material and adverse manner. If the Manager determines not to comply with such additional regulatory and registration requirements, the Manager will terminate the Fund. Such termination could result in the liquidation of the Fund's XRPs at a time that is disadvantageous to an investor in the Interests.

If regulatory changes or interpretations of the Fund's activities require the regulation of the Fund as a money services business, money transmitter, provider of prepaid or stored value services, or virtual currency business under state regimes for the licensing of such businesses, the Fund may be required to obtain state licenses or registrations and comply with such regulations. To the extent that Manager decides to continue the Fund, the required licenses or registrations and regulatory compliance steps may result in extraordinary, recurring and/or non-recurring expenses to the Fund. The Manager may also decide to terminate the Fund. Termination of the Fund in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors.

To the extent that the activities of the Fund cause it to be deemed a "money services business," "money transmitter," provider of prepaid or stored value, or virtual currency business under state laws for the regulation of such (or similar) activities, the Fund may be required to apply for licenses and to comply with the regulations of multiple states, including those that would mandate the Fund to maintain specified amounts of capital, hold only specified types of assets, post bonding in specified amounts, and implement anti money-laundering and cybersecurity programs. Such applications and additional regulatory obligations may cause the Fund to incur extraordinary expenses, possibly affecting an investment in the Interests in a material and adverse manner. If the Manager determines not to apply for licenses and comply with such additional regulatory and registration requirements, the Manager will terminate the Fund. Such termination could result in the liquidation of the Fund's XRPs at a time that is disadvantageous to an investor in the Interests.

If regulatory changes require the regulation of virtual currencies under the Commodity Exchange Act, as amended (the "CEA"), by the CFTC and/or under the Securities Act and the Investment Company Act by the SEC, the Fund and the Manager may be required to register and comply with such regulations. To the extent that the Manager decides to continue the Fund, the required registrations and regulatory compliance steps may result in extraordinary, recurring, and/or non-recurring expenses to the Fund. The Manager may also decide to terminate the Fund. Termination of the Fund in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors.

Current and future legislation, CFTC and SEC rulemaking and other regulatory developments may impact the manner in which virtual currencies are treated for classification and clearing purposes. In particular, XRPs may not be excluded from the definition of "commodity" for CFTC purposes or XRPs may become a "security" for future SEC purposes. As of the date of this Memorandum, the Manager is not aware of any rules that have been proposed to regulate XRPs as a commodity or a security. Although several United States federal district courts have recently held for certain purposes that virtual currencies are currency or a form of money, these rulings are not necessarily indicative of the characterization of XRPs for other purposes and the Manager and the Fund cannot be certain as to how future regulatory developments will impact the treatment of XRPs under the law.

To the extent that XRPs are deemed to fall within the definition of a "commodity" for CFTC purposes, the Fund and the Manager may be required to register and comply with additional regulation under the CEA. Moreover, the Manager may be required to register as a commodity pool operator and to list the Fund as a pool with the CFTC through the National Futures Association. Such additional compliance may result in extraordinary, recurring and/or non-recurring expenses of the Fund, thereby materially and adversely impacting the Interests. If the Manager determines not to comply with such additional regulatory and registration requirements, the Manager will terminate the Fund. Any such termination could result in the liquidation of the Fund's XRPs at a time that is disadvantageous to an investor in the Interests.

To the extent that XRPs are deemed to fall within the definition of a security for SEC purposes, the Fund and the Manager may be required to register and comply with additional regulation under the Investment Company Act of 1940. Moreover, the Manager may be required to register as an investment adviser under the Investment Adviser Act of 1940 and register the Fund as an investment company. Such additional registrations may result in extraordinary, recurring and/or non-recurring expenses of the Fund, thereby materially and adversely impacting the Interests. If the Manager determines not to comply with such additional regulatory and registration requirements, the Manager will terminate the Fund. Any such termination could result in the liquidation of the Fund's XRPs at a time that is disadvantageous to an investor in the Interests.

If the SEC takes the position that Ripple Labs is operating as an unregistered securities exchange, broker, or dealer under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), Ripple Labs may be required to register and comply with such regulations. The so-called "Blue Sky" or State securities laws of all States of the United States, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands also generally require the registration of "broker-dealers" or "dealers", as the case may be, with respect to persons acting as such within or from any such jurisdiction. The Illinois Blue Sky law also generally requires the registration of any securities exchange that is located within the State of Illinois[4]. To the extent that the Manager decides to continue the Fund, the required registrations and regulatory compliance steps may result in

[4] If the website is accessible from outside the U.S., also raises similar issues and possibly securities registration issues under foreign securities laws.

extraordinary, recurring, and/or non-recurring expenses to the Fund. The Manager may also decide to terminate the Fund. Termination of the Fund in response to the required registrations may be at a time that is disadvantageous to investors.

The relationship between XRP and Ripple Labs distinguishes XRP from certain other virtual currencies. Bitcoin, for example, does not have a single identifiable promoter. Rather, Bitcoin relies on miners to create and introduce new currency into the ecosystem. The Ripple ecosystem's reliance on the efforts of Ripple Labs—the single largest holder of XRP—to promote and expand the ecosystem, creates greater risk that XRP might be deemed a security as compared to other virtual currencies and Ripple Labs might be deemed to be operating as an unregistered securities exchange, broker, or dealer under federal and State securities laws. Using an unregistered broker-dealer to assist with the sale of securities or effecting a securities transaction through the facility of an unregistered exchange, may create a rescission right in favor of the Limited Partners, potentially requiring the Fund to return the money it received for the Interests. Section 29(b) of the Exchange Act provides that every contract made in violation of the Exchange Act, including contracts for which performance under the contract is a violation of any of the Exchange Act provisions, shall be void as to "any persons who, in violation of any such provision, rule or regulation, shall have made or engaged in the performance of any such contract." Blue Sky laws related to unregistered broker-dealers vary from state to state, with some states providing rescission rights to investor claimants beyond those provided under the Exchange Act. For example, under California law, a rescission right is available to purchasers located in California where securities are sold to or purchased from an unregistered broker-dealer. In addition to the rescission of the sale of securities and return of investor funds, Section 25501.5 of the California Corporations Code also provides that the purchaser can seek damages even if it no longer owns the securities in question and the court has discretion to award attorney fees and costs to a plaintiff seeking rescission. Also, under many States' Blue Sky laws, willfully operating without appropriate registration is criminal conduct. This potential rescission right could have a significant negative impact on the Fund's ability to raise capital in the future because under the Exchange Act the rescission right can be exercised until the later of three years from the date of issuance of the securities or one year from the date of discovery of the violation.

On December 8, 2014, the SEC sanctioned a computer programmer for operating two online venues that traded securities using virtual currencies without registering them as broker-dealers or stock exchanges. The programmer, operated the two exchanges through his company, from August 2012 to October 2013. Account holders were able to purchase securities in virtual currency businesses using bitcoins and litecoins on virtual stock exchanges. The exchanges were not registered as broker-dealers but solicited the public to open accounts and trade securities. The exchanges also were not registered as stock exchanges but enlisted issuers to offer securities to the public for purchase and sale. The action may indicate that the SEC is taking a closer look at decentralized platforms for trading virtual currency using cryptocurrency technology.

To the extent that the SEC or a comparable State or foreign securities regulator takes the position that Ripple Labs is operating as an unregistered exchange, broker, or dealer under applicable federal, State and foreign securities laws, it may result in extraordinary, recurring and/or non-recurring expenses for Ripple Labs and the Fund, thereby materially and adversely impacting the Interests.

If federal or state legislatures or agencies initiate or release tax determinations that change the classification of XRPs as property for tax purposes (in the context of when such XRPs are held as an investment), such determination could have a negative tax consequence on the Fund or its Limited Partners.

Current IRS guidance indicates that digital math-based assets such as XRPs will be treated and taxed as property, and that transactions involving the payment of XRPs for goods and services will be treated as barter transactions and gain and loss will be recognized.

On December 5, 2014, the New York State Department of Taxation and Finance issued guidance regarding the application of state tax law to digital math-based assets such as XRPs. The agency determined that New York State would follow IRS guidance with respect to the treatment of digital math-based assets, such as XRPs, as property for state income tax purposes. Furthermore, they defined digital math-based assets such as XRP to be a form of "intangible property," meaning the purchase and sale of XRPs for fiat currency is not subject to New York State sales and use tax (although transactions of XRP for other goods and services may be subject to sales and use tax to the extent that the goods or services bartered are taxable). It is unclear if other states will follow the guidance of the IRS and the New York State Department of Taxation and Finance with respect to the treatment of digital math-based assets such as XRPs for income tax and sales and use tax purposes. If a state adopts a different treatment, such treatment may have negative consequences including the imposition of greater a greater tax burden on investors in XRP or imposing a greater cost on the acquisition and disposition of XRPs, generally; in either case potentially having a negative effect on prices in the XRP Exchange Market and a negative impact on the Interests.

Foreign jurisdictions may also elect to treat digital math-based assets such as XRPs differently for tax purposes than the IRS or the New York State Department of Taxation and Finance. To the extent that a foreign jurisdiction with a significant share of the market of XRP users imposes onerous tax burdens on XRP users, or imposes sales or value added tax on purchases and sales of XRPs for fiat currency, such actions could result in decreased demand for XRPs in such jurisdiction, which could impact the price of XRPs and negatively impact an investment in the Interests.

Alternative Investment Fund Managers Directive

The Alternative Investment Fund Managers Directive (the "**AIFM Directive**") of the EU took effect across the EU on July 22, 2013. The AIFM Directive regulates (i) alternative investment fund managers ("**AIFM**") based in the EU, (ii) the management of any alternative investment fund ("**AIF**") established in the EU (irrespective of where an AIF's AIFM is based), and (iii) the marketing in the EU of the securities of any AIF, such as the Fund, whether conducted by an EU AIFM, a non-EU AIFM or a third party. As an AIFM authorized to market the Fund in the EU, the Investment Manager is required to comply with numerous obligations in relation to its own operations and in relation to the AIFs that it manages, which may create significant compliance costs and burdens.

Risks Relating to Management

Lack of Operating History; Prior Investment Results

The Fund is a newly formed entity and has no operating history on which prospective investors can evaluate the anticipated performance of the Fund. The prior investment results of [the Investment Manager and] the members of its investment team are not indicative of the Fund's future investment results. The nature of, and risks associated with, the Fund's future investments may differ substantially from such investments and strategies undertaken historically. There can be no assurance that the Fund's investments will perform as well as the investment or funds previously managed by members of the Investment Manager's investment team.

Reliance on Management and Certain Third Parties

The Limited Partners have no authority to make decisions or to exercise business discretion on behalf of the Fund. All decisions regarding the management and affairs of the Fund will be made by the Investment Manager of the Fund. Accordingly, no person should purchase an Interest unless such person is willing to accept all aspects of management of the Partnership by the Investment Manager of the Fund. The success of the Fund is dependent upon the ability of the Investment Manager to manage the Fund and effectively implement the Fund's investment program. The Fund's governing documents do not permit the Limited Partners to participate in the management and affairs of the Fund. If the Fund or any other accounts managed by the Investment Manager were to incur substantial losses or were subject to an unusually high level of redemptions or withdrawals, the revenues of the Investment Manager may decline substantially. Such losses and/or redemptions may impair the Investment Manager's ability to provide the same level of service to the Fund as it has in the past and continue operations. The Fund is also dependent upon its counterparties and certain third-party service providers, such as the Administrator. Errors are inherent in the business and operations of any business, and although the Investment Manager will adopt measures to prevent and detect errors by, and misconduct of, counterparties and third-party service providers, and transact with counterparties and third-party service providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on the Fund and the Limited Partners' investments therein.

Retention and Motivation of Key Employees

The success of the Fund is dependent upon the talents and efforts of highly skilled individuals employed by affiliates of the Investment Manager and such affiliates of the Investment Manager's ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that the affiliates of the Investment Manager's investment professionals will continue to be associated with the Investment Manager throughout the life of the Fund, and the failure to attract or retain such investment professionals could have a material adverse effect on the Fund and the Shareholders' investments therein. Competition in the financial services industry for qualified employees is intense and there is no guarantee that, if lost, the talents of the affiliates of the Investment Manager's investment professionals could be replaced.

Misconduct of Employees and Third-Party Service Providers

Misconduct by employees of the Investment Manager or its affiliates or by third-party service providers to the Fund could cause significant losses to the Fund. Employee misconduct may include binding the Fund to transactions that present unacceptable risks and unauthorized activities, concealing unsuccessful activities (which, in either case, may result in unknown and unmanaged risks or losses) and misappropriating XRP. Losses could also result from actions by third-party service providers, including failing to record transactions or improperly performing custodial, administrative and other responsibilities. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including the loss of XRP. There can be no assurance that the measures that the Fund, the Investment Manager and their affiliates expect to implement to prevent and detect employee misconduct and to select reliable third-party providers will be effective in all cases.

Increased Regulatory Oversight

Increased regulation and regulatory oversight of private investment funds and their managers may impose administrative burdens on the Investment Manager, including, without limitation, responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative

burdens may divert the Investment Manager's time, attention and resources from portfolio management activities. Such regulatory inquiries are generally confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

Effect of Substantial Losses or Withdrawals

If, due to extraordinary market conditions or other reasons, the Fund and other private investment funds managed by the Investment Manager were to incur substantial losses or were subject to an unusually high level of withdrawals or redemptions, the revenues of the Investment Manager may decline substantially. Such losses and/or redemptions may hamper the Investment Manager's ability to (i) retain employees, (ii) provide the same level of service to the Fund as it has in the past, and (iii) continue operations. In the event that withdrawals are delayed, the pricing of withdrawal proceeds may be set for a portion of the delayed withdrawals, while the other portion may remain in the Withdrawal Queue and continue to be at risk.

Increasing Assets Under Management

The rates of return achieved by trading advisers or managers often diminish as the assets under their management increases. The Investment Manager has not agreed to limit the amount of additional equity that it will manage.

Risks Relating to the Structure of the Fund

Significant Fees and Expenses

If regulatory changes or interpretations of the Fund's activities require the regulation of the Fund as a money service business under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, the Fund may be required to register and comply with such regulations. To the extent that the Investment Manager decides to continue Fund, the required registrations and regulatory compliance steps may result in extraordinary, recurring and/or non-recurring expenses to the Fund. The Investment Manager may also decide to terminate the Fund. Termination of the Fund in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors.

Indemnification Obligations

Except with respect to certain types of conduct, each of the General Partner, affiliates of the General Partner and the Investment Manager and their directors, officers, stockholders, partners, managers, employees, agents, members, affiliates and representatives of the foregoing (i) will be indemnified by the Fund for any losses incurred in connection with activities of, or on behalf of, the Fund, and (ii) will not have any have liability to the Fund or to any Limited Partner for any loss suffered by the Fund or any such Limited Partner (subject to certain exceptions).

[Amendment of Fund Agreement

Under the terms of the Fund Agreement, the General Partner and a majority in interest of the Limited Partners are entitled to amend the Fund Agreement. As a result, it is possible for the Fund Agreement to be amended in a way that impacts a Limited Partner even if that particular Limited Partner did not consented to that amendment and even if the amendment is detrimental to the Limited Partner.]

[Side Letters and Other Agreements with Investors

The Fund may enter into separate agreements with certain investors, such as those affiliated with the General Partner or those deemed to involve a significant or strategic relationship, waive certain terms, or allow such investors to invest on different terms than those specifically described in this Memorandum, including terms related to fees or depth of information provided to such investors concerning the Fund. Under certain circumstances, these agreements could create preferences or priorities for such Limited Partners. The Fund may offer certain Limited Partners additional or different information and reporting than that offered to other Limited Partners. Such information may provide the recipient greater insights into the Fund's activities than is included in standard reports to Limited Partners.]

Absence of Regulatory Oversight

The Fund and the Interests are not expected to be registered under the securities laws of the United States or any other jurisdiction other than the Cayman Islands. In particular, the Fund will not be registered as an investment company under the Investment Company Act, and, therefore, will not be required to adhere to the restrictions and requirements under the Investment Company Act. Accordingly, the provisions of the Investment Company Act (which, among other things, require investment companies to have a majority of disinterested directors, require securities to be held in custody by a bank or broker in accordance with rules requiring the segregation of securities, prohibit the investment companies from engaging in certain transactions with its affiliates and regulate the relationship between advisers and investment companies) are not applicable.

The Fund is regulated as a mutual fund under the Mutual Funds Law. However, registration under the Mutual Funds Law does not involve an examination of the merits of the Fund or supervision of the investment performance of the Fund by the Cayman Islands government or the Monetary Authority. There is no financial obligation or compensation scheme imposed on or by the government of the Cayman Islands in favor of or available to the investors in the Fund.

<u>Risks Relating to the Operations and Investment Activities of the Fund</u>

Systems and Operational Risks

The Fund depends on the Investment Manager to develop and implement appropriate systems for the Fund's activities. The Fund relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Fund's activities. In addition, the Fund relies on information systems to store sensitive information about the Fund, the Investment Manager, their affiliates and the Limited Partners. Certain of the Fund's and the Investment Manager's activities will be dependent upon systems operated by third parties, including the Administrator, market counterparties and other service providers, and the Investment Manager may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by the Investment Manager, the Administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. In addition, despite the security measures established by the Investment Manager and third parties to safeguard the information in these systems, such systems may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise these systems and result in the theft, loss or public dissemination of the information stored therein. Disruptions in the Fund's operations or breach of the Fund's information systems may cause the Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory

intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Fund and the Limited Partners' investments therein.

Risks Relating to Investment Strategy

Single Purpose

The Fund will invest solely in XRP, which are is a new, highly speculative and illiquid asset. The XRP held by the Fund are commingled and investors have no specific rights to any specific XRP. In the event of the Fund's insolvency, its assets may be inadequate to satisfy a claim by the Fund or an investor. The timing of the Fund's acquisition and disposition of XRP will be affected by the timing of subscriptions and withdrawals. The Fund will not take any steps to minimize volatility or manage risk. No guarantee or representation is made that this investment program will be successful. XRP are extremely volatile and investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the Investment Manager (or investments otherwise made by the investment professionals of the Investment Manager) are not necessarily indicative of their future performance.

Risk of Total Loss of Capital

While all investments risk the loss of capital, investments in XRP should be considered substantially more speculative and significantly more likely to result in a total loss of capital than most other investment funds. The Investment Manager will not attempt to mitigate the potential of loss of capital through the use of risk management techniques. Rather, the Investment Manager generally intends only to sell XRP when such sales are necessary in order to satisfy withdrawal requests. Furthermore, the Investment Manager does not intend to hedge potential losses and will not make investment decisions based on the price of XRP. Consequently, an investment in the Fund could result in the total loss of a Limited Partner's capital.

XRP Generally

The investment characteristics of virtual cryptocurrency generally, and of XRP specifically, differ from those of traditional currencies, commodities or securities. Importantly, XRP is not backed by a central bank or a national, supra-national or quasi-national organization, any hard assets, human capital, or other form of credit. Rather, it is market-based: XRP's value is determined by (and fluctuates often, according to) supply and demand factors, the number of floating XRP, and the value that various market participants place on it through their use of the Ripple Protocol.

Overview of Ripple Protocol, the Ripple Network and the Ripple Market

The Ripple network is a decentralized system with a set of protocols that can be used to issue, transfer, and trade any type of fiat currencies, digital currencies and other forms of value. The Ripple protocol enables peer-to-peer transaction settlement across a decentralized network of computers similar to the Bitcoin Network. As a result, Ripple can circumvent many of the fees and reduces many of the risks involved in interbank funds transfers, particularly in international transactions. Unlike other digital currency protocols, however, the Ripple Protocol is currency agnostic and users are not required to transact in the protocol's native currency (XRP). In addition, the technology enables near real-time settlement (three to six seconds) and is built to route each international transaction to the cheapest FX bid/ask spread available in the network.

Ripple borrowed[5] Bitcoin's decentralized concept to build a payment protocol that enables instant, fast, and economical payment between parties. Instead of being a stand-alone ecosystem like Bitcoin, Ripple protocol allows currencies to enter its network via Gateways to trade on a single ledger to reduce settlement risks. Ripple network creates a peer to peer forex exchange system that Market Makers can bid to help users settle on the best forex rate. End users do not need to know how it works as it serves as the infrastructure layer to facilitate the existing interbank payments. The Consensus Algorithm drives real-time settlement to allow two parties bypass the need of a central operator. Because of the Consensus Algorithm, the protocol supports all things of value as any kind of payments are just updates to a common shared ledger.

Ripple as a protocol. Ripple is a physical network of computers running a common open-sourced software (known as rippled, pronounced: ripple-"d"), developed and maintained by Ripple Labs. Users plugged into the rippled software transact according to the rules set by the Ripple Protocol. Similar to other Internet protocols – e.g. SMTP for email and HTTP for websites – Ripple is a set of rules that govern how Internet-connected computers communicate with each other. Specifically, Ripple protocol is a set of rules for transaction clearing and settlement: governing how two parties can transfer ownership of any currency or item of value. As an Internet protocol, no one owns the Ripple network and the open-sourced software is completely free. Ripple Labs does not operate the network, collect fees, or limit access. The protocol is not designed as a consumer or merchant interfacing payment service. This means banks, payment processors, money transmitters, and other providers of financial services can continue to control the entire customer experience (including interfacing with their end customer, determining pricing, and customer acquisition). In addition, as a protocol, Ripple cannot dis-intermediate banks or its financial services users/partners. This is synonymous with other Internet protocols like HTTP (the protocol for the Internet) or SMTP (the protocol for email); companies cannot limit access to these public goods, because no company controls them. On the other hand, Ripple relies on financial institutions to serve as Gateways providing access for funds to enter and exit Ripple and Market Makers to provide liquidity within the network. Another important aspect of a protocol is that users do not have to know how it works, and in fact, users do not know there is a protocol to begin with. Consumers do not have to understand how the Automated Clearing House ("**ACH**") or Society for Worldwide Interbank Financial Telecommunication (SWIFT) work to send payments or understand how the HTTP or SMTP protocols to use the Internet. What's important is that the protocols ultimately enable a seamless and user-friendly experience.

Ripple as a shared, common ledger. Every financial firm manages a ledger of accounts of some sort. In a digital world, payments are essentially just updates to the database. A bank can transfer funds between in-house accounts by effectively moving $1,000 from cell C1 to cell D1. The complexity arises from the fact that every firm has its own proprietary ledger, and two firms running two different systems cannot easily communicate directly. On a high level, one can think of Ripple as a neutral, open-source ledger that connects financial institutions and networks, and on which developers can build innovative payment applications. If every firm's back end can communicate with Ripple, then the protocol can act as a universal link between institutions globally. Ripple offers an improvement to existing solutions because, like email, Ripple is totally neutral and free. It is not controlled by any country or region. And unlike centralized solutions, no company can impose future costs to use the network.

Consensus Algorithm. Consensus Algorithm drives real-time settlement and bypasses the need of a central operator. A peer-to-peer network of Ripple servers around the world maintains a shared public ledger. Consensus of the each transaction must be reached among the supermajority of trusted validators in order to make changes to the ledger. A peer-to-peer network of Ripple servers around the world maintains the ledger. A trade is executed on Ripple by making a valid change to the ledger. Consensus must be reached among the supermajority of trusted validators in order to make changes to the ledger. This process enables Ripple Network to achieve real-time settlement and bypass the need of a central operator. This process is different

[5] Can we say this?

from Proof of Work (i.e. mining) in Bitcoin, which is used to validate transactions on the block chain. The Consensus Algorithm does not rely on mining to reach consensus, does not consume a large amount of energy, and does not have to pay miners to verify each transaction.

Gateways. Gateways play an important role in the network by allowing currencies to enter and exit the network. Their role is to follow the know your customer ("**KYC**") and anti-money laundering ("**AML**") procedures in order to accept currency deposits from customers and issue them balances on Ripple Network. Gateways can be banks, financial institutions, and money service businesses. Gateways can earn money by charging fee for the transfer of a gateway balance. Through Gateways, Ripple users can pay each other by transferring gateway balances. This does not require users to directly trust each other but only requires that users mutually trust a shared gateway to hold their deposits.

Market Makers. Ripple is the only currency exchange that allows trading in all currencies and anything of value. Users can place orders of any size, in any currency, and the Ripple protocol automatically matches buyers and sellers. Market Makers play an important role in boosting liquidity. Market Makers post buy and sell orders, providing liquidity to the market in order to earn bid/ask spread. They take the price risk, counterparty risk, and bear the costs of rebalancing funds between Gateways so that other users do not have to. These markets makers are important sources of liquidity within the network and are primarily financial institutions with a business in currency or securities market making (i.e. banks, hedge funds, quantitative trading shops).

XRP. XRP is a math-based currency that is native to the Ripple network. Users are not required to hold XRP if they prefer to transact in other currencies (e.g. USD, EUR, CNY, Gold). XRP enables the Ripple network by performing two specific functions: it acts as an anti-spam mechanism, and it serves as a universal joint between cross-currency trades. Every Ripple account is required to have a small reserve of XRP to create ledger entries. Every transaction costs 1/1000 of XRP, which will be destroyed forever. If an attacker wants to create a large amount of ledger spam (fake accounts) or transaction spam (fake transactions), the attacker will have to pay a substantial amount in order to overload the network. Inside Ripple Network, XRP is a native digital asset that does not have a counterparty. On a protocol level, Ripple makes a distinction between both the balance type (USD, EUR, CNY, etc.) and the issuing counterparty (Bank A, Bank B, Bank C, etc.). This is important because USD balances issued by two different banks are technically liabilities of different institutions and have different counterparty risk profiles. From the perspective of the protocol, they are different financial instruments. As the number of assets and the number of counterparties in the network grows, the number of currency pairs can quickly become unmanageable for a Market Maker. XRP allows Market Makers to trade with each other without the need of connecting to both Gateways or having USD or any other currencies pre-funded in their accounts. Market Makers can exchange value with each other in XRP without taking a third party's counterparty risk. To the contrary, if USD is the bridge currency in the Ripple Network, Market Makers have to pay to convert to USD and take the counterparty risks.

XRP Distribution. The inventors of the Ripple protocol created 100 billion XRP at its inception, and no more can ever be created according to the protocol's rules. In the beginning, Ripple Labs, as the creator, promoter, and contributor of the Ripple Network, owns 80 billion of the 100 billion XRP in existence. In this manner, Ripple Labs believe that its incentives are aligned with those of protocol's users – both want the protocol to reach its full potential and scale. XRP distribution strategy and the number of XRP that Ripple Labs held can be accessed via https://www.ripplelabs.com/xrp-distribution/. Ripple Labs used XRP to encourage the growth of the protocol by distributing it to the parties that can build trust, utility, and liquidity in Ripple. To date, XRP has been distributed to users, developers, merchants, Gateways, and Market Makers. [Total XRP held by Ripple Labs is 67,984,044,518 XRP, of which 21,873,544,391 XRP is reserved for Ripple Labs' operating expenses.]

XRP Trading Policy of Ripple Labs. Since Ripple Labs and Ripple Labs' employee holds a majority of XRP, Ripple has publicly announced its code of conduct regarding its trading policy via https://www.ripplelabs.com/wp-content/uploads/2014/09/ripple_labs_code_of_conduct1.pdf. Specifically, insiders including all Ripple Labs employees, contractors, founders, board members, investors, and advisors may not buy, sell, recommend or trade XRP, either personally or on behalf of someone else, under circumstances that could appear unfair to the wider Ripple community and non-insiders generally. This includes situations in which insiders have access to information about Ripple Labs or the Ripple protocol that has not been publicly announced, and which might reasonably affect the decision to buy or sell XRP. The Company may from time to time designate certain time periods as "restricted" periods if in the judgment of executive management, a coming announcement or other event may significantly affect the trading price of XRP. During such restricted periods, insiders may not buy, sell, trade or recommend XRP. At other times, insiders are responsible for exercising their judgment as to whether trading XRP is appropriate. Insiders may not buy, sell, recommend, or trade XRP valued in excess of $100,000, either personally or on behalf of someone else, without approval from the Ripple Labs Controller, compliance team, and a direct supervisor.

XRP Trading Policy of the Fund. The Fund may be in control and possession of one of the largest holdings of XRP as the Fund increases in size. The Fund will limit itself to no more than 5% of the daily trading volume after internal cross withdrawals and subscriptions. From the Fund's inception day, employees of [redacted] will no longer be able to buy or sell XRP personally. However, existing XRP investments of [redacted] or its affiliated funds before January 1st, 2015, should be allowed to trade as defined by each investment agreement respectively. In the event that aggregate withdrawal requests from the Fund on a Withdrawal Date together exceed [5]% net (or such other amount as determined in the Investment Manager's sole discretion) of the daily trading volume, the Investment Manager, in its sole discretion, may limit withdrawals in excess of such amount.

Ripple is a Nascent, Relatively Illiquid Network. Needless to say, the Ripple network is nascent and volume will gradually build as more Gateways and Market Makers integrate into the network. Much of the appeal of the network, including the ability to send money anywhere in the world and to leverage FX trading competition hinges on building out significant volume on the network. In addition, despite stress testing in "laboratory conditions", there is some uncertainty on how the network will perform when volume spikes in heavy traffic seasons. Scalability of the Network is not proven. Ripple's confirmation time may increase with traffic load, the number of trusted validators and other factors. While these are issues that could get resolved over time, users must be aware of liquidity risk before subscribing to the Fund.

Competition Could Intensify. While Ripple focuses on forming industry partnerships with banks, payment processors and money transfer transmitters, it is possible that some incumbents could decide to compete with the protocol. Direct competition could entail incumbents creating their own digital currency protocol or deciding to integrate/partner with other existing digital currencies (i.e. Stellar, Bitcoin, Litecoin, etc…). Finally, while incumbents may not opt to either adopt other digital currencies or create their own, influential incumbents may enact policies that make it difficult for others in the ecosystem to use Ripple.

Existing Networks Could Get Upgraded. The existing settlement architecture could be made faster. An upgrade to "same day ACH" in the U.S. could make more significant changes like Ripple appear less attractive. Likewise, some limited form of "global ACH" could get adopted to smooth pain points in international payments.

Technological Flaws Could Exist. While the underlying source code has been public and available for public audit since September 2013, it is possible that technological flaws could be discovered in Ripple's consensus or other processes. While it may be possible to fix a bug, the reputational damage could still be significant. It is impossible to definitely prove that something is fully secure. The absence of security breaches

over a long period of time is usually the best evidence that a system is trustworthy. In this sense, trust in the Ripple protocol may partially be a function of time.

The Protocol Could Be Forked. Since the code for Ripple is totally open-source, a third party could clone and re-brand Ripple (i.e. "fork" the protocol), potentially garnering more adoption and the associated positive network effects. The Bitcoin protocol has seen a large number of clones (Litecoin, Dogecoin, etc.), all of which are essentially copies of the XRP code base, with small changes that are often largely cosmetic in nature. Because the Ripple protocol relies on integration with Gateways and financial institutions, it is more complicated to effectively clone Ripple than it is to clone XRP. Copying the code is easier than convincing third parties to integrate and support it. Likewise, though Bitcoin has been extensively copied and rebranded, the original implementation continues to enjoy the most adoption and positive network effects.

A Superior Protocol Could Be Developed. It is possible that someone will develop a superior protocol for funds transfer and settlement, potentially offering faster settlement, better ease of use, or features that have yet-to-be considered.

XRP Might Be Deemed As A Security. The relationship between XRP and Ripple Labs distinguishes XRP from certain other virtual currencies. Bitcoin, for example, does not have a single identifiable promoter. Rather, Bitcoin relies on miners to create and introduce new bitcoin into the ecosystem. The Ripple ecosystem's reliance on the efforts of RL—the single largest holder of XRP—to promote and expand the ecosystem, creates greater risk that XRP might be deemed a security as compared to other virtual currencies. If XRP are deemed to be "securities" or "funds" for this purpose, the Fund may be found to have violated the Custody Rule, which finding could have a material adverse effect on the Fund. The Fund's counterparties to XRP transactions are not expected to be "qualified custodians" within the meaning of the Custody Rule. If the SEC determines that XRP are required to be held by a qualified custodian, it is unclear what alternative procedures would satisfy this requirement.

The increase in XRP value is heavily dependent on the success of Ripple Labs. Until now, Ripple Labs is the most active contributor and promoter of the Ripple Network. If Ripple Labs did not successfully increase the number of counterparties (Gateways, Market Makers, developers, users, etc) and asset types in the network, the utility of XRP and demand for XRP would not increase even though there is a limited supply of XRP.

Risks Relating to Development and Acceptance of XRP

As a relatively new product and technology, XRP is not yet widely adopted by banks and financial institutions as a bridge currency or a medium of exchange. Banks and other established financial institutions may refuse to process funds using XRP, process wire transfers to or from XRP exchanges, XRP-related companies or service providers, or maintain accounts for persons or entities transacting using XRP. Market capitalization for XRP as a medium of exchange and payment method may always be low. Further, XRP use as an international currency may be hindered by the fact that it may not be considered as a legitimate means of payment or legal tender in some jurisdictions. To date, speculators and investors seeking to profit from either short- or long-term holding of XRP drive much of the demand for it, and competitive products may develop which compete for market share. Although XRP, as one of the early decentralized, virtual cryptocurrency, currently enjoys a sizeable percentage of the market share, Bitcoin presently maintains the largest market share in virtual cryptocurrency. Furthermore, several other virtual cryptocurrencies have since emerged, including Litecoin, Stellar, BitShares and Dogecoin. Further, other virtual currencies or payment systems may be the subject of a U.S. or foreign patent application, (i.e., JP Morgan Chase Bank's patent application for "Alt-Coin" with the United States Patent & Trademark Office), successfully patented, or, alternatively, Bitcoin-Qt may be patented or owned or controlled by a public or private entity. The Fund could be adversely impacted if XRP

fails to retain its market share, or it fails to be adopted by banks and other established financial institutions. Either scenario may increase XRP's volatility or decrease its value (price).

Risks Relating to Development and Acceptance of the XRP/Ripple Network

The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in XRP, which represents a new and rapidly changing industry, is subject to a variety of factors that are difficult to evaluate. These factors include, but not limited to:

(a) economic and regulatory conditions relating to both fiat currencies and virtual currencies;
(b) government regulation of the use of and access to virtual currencies;
(c) government regulation of virtual currency service providers, administrators or exchanges;
(d) the domestic and global market demand for—and availability of—other forms of virtual currency or payment methods; and,
(e) uniquely regarding XRP, the security, integrity and adoption of the XRP/Ripple network source code protocol. Any slowing or stopping of the development or acceptance of XRP or the XRP/Ripple network may adversely affect an investment in the Fund.

Risks Related to Ripple Gateways

Ripple Gateways are businesses that provide onboard and offboard rams to the Ripple Network. Ripple network presently requires Gateways as access points for individuals and entities to move fiat currency onto the Ripple network. For example, SnapSwap is a US-based Ripple gateway that accepts cash deposits, issues balances into user accounts, and provides cash withdraw on demand. Currently the Ripple Gateways are relatively new and largely unregulated and may therefore be exposed to theft, fraud and failure. In general, these Gateways are currently start-up businesses with no institutional backing, limited operating history and no publically available financial information. Gateways. The volatility of XRP makes it difficult for Gateways to manage their operations. There might be mass withdrawing of funds that may cause the gateways to collapse to fail to deliver the funds in an effective manner. Ripple Gateways may impose daily, weekly, monthly or customer-specific limits and restrictions on deposits, or suspend withdrawals entirely, rendering retrieving fiat currency difficult or impossible. Additionally, upon the sale of XRP, cash proceeds may not be received from the Gateways for several Business Days.

Ripple Gateways are also appealing targets for cybercrime, hackers and malware. It is possible that while engaging in transactions with a gateway, any such gateway may cease operations due to theft, fraud, security breach, liquidity issues, or government investigation. In addition, banks may refuse to process wire transfers to or from the gateway. The Ripple protocol is open-source and free for anyone to use. Ripple Labs makes its best effort to provide documentation of features, but cannot be responsible for anyone incorrectly implementing them. Gateways and exchanges are responsible for implementing risk and compliance controls, including KYC and prudent hot wallet limits, and reporting illegal activity to law enforcement. On October 8th 2014, Justcoin, one of the Ripple Gateways, did not implement partial payments correctly and was forced to shut down. The exchange falsely credited a non-KYC'd user for a deposit, and then allowed the user to illegitimately withdraw the funds from its hot wallet. For every transaction, an exchange needs to ensure the total of user balances plus the new deposit matches the balance of its Ripple cold and hot wallets. If these balances do not match, the exchange should stop processing the transaction. Ripple Labs has engaged Justcoin in ongoing discourse about its lack of risk and compliance controls. As demonstrated by this incident, a non-KYC'd user can steal with little fear of being identified and owning the consequences. As soon as Ripple Labs learned of Justcoin's incident, they emailed Gateways and exchanges integrated with Ripple to directly warn them of the possibility of incorrectly implementing partial payments. Ripple Gateways may also at times process funds deposited or withdrew incorrectly due to machine or human error. While these errors when

discovered timely can be corrected, the transaction may be delayed due to these occurrences. A Ripple gateway may even shut down or go offline voluntarily, without any recourse to investors. These situations may increase volatility of the XRP price, and such volatility can adversely affect an investment in the Fund.

Risks Related to Ripple Exchanges

The virtual currency exchanges on which virtual currencies are traded are relatively new and largely unregulated and may therefore be more exposed to theft, fraud and failure than established, regulated exchanges for other products. In general, virtual currency exchanges are currently start-up businesses with no institutional backing, limited operating history and no publically available financial information. The participation in exchanges requires users to take on credit risk by transferring virtual currencies from a personal account to a third-party's account. A virtual currency Fund will take credit risk of an exchange every time it transacts.

Limited Exchanges on Which to Trade XRP. The Fund may trade on a limited number of exchanges (and potentially only a single exchange) either because of actual or perceived counterparty or other risks related to a particular gateway. Trading on a single gateway may result in less favorable prices and decreased liquidity for the Fund and therefore could have an adverse effect on the Fund and its Limited Partners. As of the date of this Memorandum, the only exchange in Ripple Network is Ripple Trade. Ripple Trade site and services are provided by XRP II, LLC, Inc, a South Carolina limited liability company, and a subsidiary of Ripple Labs. . Ripple Trade is a hosted version of the open source Ripple software client that allows users to access the decentralized Ripple transaction protocol payment network Ripple Trade also provides a data storage service ("Blobvault") that facilitates Ripple Trade transactions and allows users to store and share information with Gateways and other users of the Ripple Protocol. In the future, there may be other Ripple Exchanges coming into existence.

Virtual currency exchanges may impose daily, weekly, monthly or customer-specific transaction or distribution limits, rendering the conversion of virtual currency and fiat currency difficult or impossible. Presently, XRP prices and valuations on Ripple Trade exchange have been volatile and subject to influence by many factors including the levels of liquidity on Ripple Trade exchange and operational interruptions and disruptions. The prices and valuation of XRP remains subject to any volatility experienced by Ripple Trade exchange and other future XRP exchanges , and any such volatility can adversely affect an investment in the Fund.

Virtual currency exchanges are also appealing targets for cybercrime, hackers and malware. It is possible that while engaging in transactions with Ripple Trade (or other future XRP exchanges located throughout the world), any such exchange may cease operations due to theft, fraud, security breach, liquidity issues, or government investigation. In addition, banks may refuse to process wire transfers to or from exchanges. Over the past several years, many virtual currency exchanges have, indeed, closed due to fraud, theft, operational or banking issues (e.g., the loss of Tradehill's banking privileges at Internet Archive Federal Credit Union), government or regulatory involvement, failure or security breaches (e.g., the voluntary temporary suspensions by Mt. Gox of cash withdrawals due to distributed denial of service attacks by malware and/or hackers).

Non-U.S. Operations. XRP exchanges could operate outside of the United States. The Fund may have difficulty in successfully pursuing claims in the courts of such countries or enforcing in the courts of such countries a judgment obtained by the Fund in another country. In general, certain less developed countries lack fully developed legal systems and bodies of commercial law and practices normally found in countries with more developed market economies. These legal and regulatory risks may adversely affect the Fund and its operations and investments.

Any financial, security or operational difficulties experienced by such exchanges may result in an inability of the Fund to recover money or XRP being held by the exchange, or to pay investors upon redemption. Further, the Fund may be unable to recover XRP awaiting transmission into or out of the Fund, all of which could adversely affect an investment in the Fund. Additionally, to the extent that the XRP exchanges representing a substantial portion of the volume in XRP trading are involved in fraud or experience security failures or other operational issues, such XRP exchanges' failures may result in loss or less favorable prices of XRP, or may adversely affect the Fund, its operations and investments, or Shareholders.

Risks of Buying or Selling XRP

The Fund has a limited supply of XRP from Ripple Labs pursuant to the MOU[6], which has a three year exclusivity period. During each yearly period following the initial closing of the Fund to the expiration of the exclusivity period, if the Fund does not generate gross proceeds before expenses from the offering and sale of the Fund Interests in an agreed upon aggregate amount[7] annually, Ripple Labs can terminate the supply of XRP. In such an event, the Fund may have to purchase XRP on the open markets. In such an event, the structure of the Fund in terms of execution time of XRP purchase, Management Fee, and the Fund's overall expenses may significantly change.

The Fund may transact with private buyers or sellers or virtual currency exchanges. The Fund will take on credit risk every time it buys and sells XRP on the market, and its contractual rights with respect to such transactions may be limited. Although the Fund's transfers of XRP or cash will be made to or from a counterparty which the Investment Manager believes is trustworthy, it is possible that, through computer or human error, or through theft or criminal action, the Fund's XRP or cash could be transferred in incorrect amounts or to unauthorized third parties. To the extent that the Fund is unable to seek a corrective transaction with such third party or is incapable of identifying the third party which has received the Fund's XRP or cash (through error or theft), the Fund will be unable to recover incorrectly transferred XRP or cash, and such losses will negatively impact the Fund. Certain virtual currency exchanges may place limits on the Fund's transactions, or the Fund may be unable to find a willing buyer of XRP. To the extent the Fund experiences difficulty in selling XRP, investors may experience delays in subscriptions or payment of redemption proceeds, or there may be delays in liquidation of the Fund's XRP—adversely affecting the net asset value of the Fund.

Risks Relating to XRP Price Volatility

A principal risk in trading XRP is the rapid fluctuation of its market price. High price volatility may undermines XRP's role as a bridge currency for banks and financial institutions. The value of the Interests relates directly to the value of the XRP held in the Fund and fluctuations in the price of XRP could adversely affect the net asset value of the Interests. There is no guarantee that the Fund will be able to achieve a better than average market price for XRP or will purchase XRP at the most favorable price available. The price of XRP achieved by the Fund may be affected generally by a wide variety of complex and difficult to predict factors such as XRP's supply and demand; availability and access to virtual currency service providers (such as payment processors), exchanges, XRP holders and market participants; perceived or actual XRP network or XRP security vulnerability; inflation levels; fiscal policy; interest rates; and political, natural and economic events.

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[6] Note by AL: Up for negotiation

[7] Note by AL: Do I have to say $10M a year here? How much of the MOU between RL and [redacted] do we have to disclose?

To the extent the public demand for XRP were to decrease, or the Fund was unable to find a willing buyer, the price of XRP could fluctuate rapidly and the Fund may be unable to sell the XRP in its possession or custody. Limited Partners in the Withdrawal Queue will remain subject to the risk of price fluctuations of XRP until they are fully redeemed from the Fund. Further, if the supply of XRP available to the public were to increase or decrease suddenly due to, for example, a change in the XRP source code, the dissolution of a virtual currency exchange, or seizure of XRP by government authorities, the price of XRP could fluctuate rapidly. Such changes in demand and supply of XRP could adversely affect an investment in the Fund. In addition, governments may intervene, directly and by regulation, in the XRP market, with the specific effect, or intention, of influencing XRP prices and valuation. Similarly, any government action or regulation may indirectly affect the XRP market or Ripple network, influencing XRP use or prices.

Currently, there is relatively modest use of XRP in the banking space compared to its use by speculators, thus contributing to price volatility that could adversely affect an investment in the Fund. If future regulatory actions or policies limit the ability to own or exchange XRP in banking space, or own them generally, the price and demand for XRP may decrease. Such decrease in demand may result in the termination and liquidation of the Fund at a time that may be disadvantageous to Limited Partners, or may adversely affect the Fund's net asset value.

The Fund will compete with direct investments in XRP and other potential financial vehicles backed or linked to XRP. Any change in market and financial conditions, or other conditions beyond the Fund's control, may make investment and speculation in XRP more attractive, which could limit the supply of XRP and increase or decrease liquidity.

Risks Relating to Loss or Destruction of XRP

XRP are intended to be controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which the XRPs are held. To the extent private keys relating to the Fund's XRP holdings are lost, destroyed or otherwise compromised, the Fund will be unable to access the related XRP and such private keys are not capable of being restored by the Ripple network. Any loss of private keys relating to digital wallets used to store the Fund's XRP could adversely affect an investment in the Fund. Further, XRP is transferred digitally, through electronic media not controlled or regulated by any entity. To the extent a XRP transfers erroneously to the wrong destination, the Fund may be unable to recover the XRP or its value. Such loss could adversely affect an investment in the Fund.

Risks Relating to Irrevocable XRP Transactions

Just as the block chain creates a permanent, public record of XRP transactions, it also creates an irrevocable one. Transactions that have been verified, and thus recorded as a block on the block chain, generally cannot be undone. Even if the transaction turns out to have been in error, or due to theft of a user's XRP, the transaction is not reversible. Further, at this time, there is no U.S. or foreign governmental, regulatory, investigative, or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen XRP. Consequently, the Fund may be unable to replace missing XRP or seek reimbursement for any erroneous transfer or theft of XRP. To the extent that the Fund is unable to seek redress for such action, error or theft, such loss could adversely affect an investment in the Fund. Under the Investment Manager's trade errors policy, in the absence of bad faith, Gross Negligence, willful misconduct or Fraud on the Investment Manager's part, the Fund (and not the Investment Manager) will benefit from any gains resulting from trade errors and will be responsible for any losses (including additional trading costs) resulting from trade errors and similar human errors.

Risks Relating to Third Party Wallet Providers[8]

[The Fund's XRP is under custody of XRP II, LLC.] The Fund may in the future use third party wallet providers to hold the Fund's XRP. The Fund may have a high concentration of its XRP in one location or with one third party wallet provider, which may be prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware, or cyber-attacks. The Fund is not required to maintain a minimum number of wallet providers to hold the Fund's XRP. The Fund may not do detailed information technology diligence on such third party wallet providers and, as a result, may not be aware of all security vulnerabilities and risks. Certain third party wallet providers may not indemnify the Fund against any losses of XRP. XRP held by third parties could be transferred into "cold storage" or "deep storage," in which case there could be a delay in retrieving such XRP. The Fund may also incur costs related to third party storage. Any security breach, incurred cost or loss of XRP associated with the use of a third party wallet provider, may adversely affect an investment in the Fund.

Risks Relating to XRP Security

[The Fund's XRP is under custody of XRP II, LLC.][9] The Fund may in the future use third party wallet providers to secure the Fund's XRP. The Fund may, however, employ other systems to safeguard XRP holdings, such as "cold storage" or "deep storage," which will increase the time required to access certain XRP, and may, therefore, delay liquidation of the Fund's XRP or payment of withdrawal proceeds, which could have a material adverse effect on the net asset value of the Fund. The systems in place to secure the XRP may not prevent the improper access to, or damage or theft of the Fund's XRP. Further, a security breach could harm the Fund's reputation or result in the loss of some or all of the Fund's XRP, which represents the Fund's only asset. Any such security breach or leak of non-public information relating to the security of XRP may adversely affect an investment in the Fund.

Risks Relating to XRP Hackers

[Hackers or malicious actors may launch attacks to steal, compromise, or secure XRP, such as by attacking the XRP network source code, exchange servers, third-party platforms, cold and hot storage locations or software, or XRP transaction history, or by other means. The Fund may be in control and possession of one of the largest holdings of XRP. As the Fund increases in size, it may become a more appealing target of hackers, malware, cyber-attacks or other security threats. As a result[10], the Fund will undertake efforts to secure and safeguard the XRP from theft, loss, damage, destruction, malware, hackers or cyber-attacks, which may add significant expenses to the operation of the Fund. There can be no assurance that such securities measures will be effective. At this time, there is no U.S. or foreign governmental, regulatory, investigative, or prosecutorial authority or mechanism through which to bring an action or complaint regarding missing or stolen XRP. Consequently, the Fund may be unable to replace missing XRP or seek reimbursement for any theft of XRP, adversely affecting an investment in the Fund.

Risks Relating to Lack of Transparency

Given the type and extent of the security measures necessary to adequately secure XRP, Limited Partners will not fully know how XRP II, LLC stores or secures the Fund's XRP or the Fund's complete holding of XRP at any time.]

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[8] Ripple Trade provides wallet now?

[9] Note by AL: Negotiations in process

[10] Note by AL: XRP II LLC, RL's entity will have custody the asset for us for free / Still in the negotiation process

Risks Relating to Reliance on Virtual Currency Service Providers[11]

Due to audit and operational needs, there will be individuals who have information regarding the Fund's security measures. Any of those individuals may purposely or inadvertently leak such information. Further, several companies and financial institutions (including banks) provide support to the Fund related to the buying, selling, and storing of virtual currency. To the extent service providers no longer support the Fund or cannot be replaced, an investment in the Fund may be adversely affected.

Risks Relating to the Ripple Network Integrity and Security

While we[12] undertake every effort to ensure the highest levels of data protection and information assurance internally (using industry-leading best practices for data storage and transmission, the strongest cryptography known and available to the private sector, and stringent internal controls on data and communications), at some points during the act of transferring a XRP into or out of the Fund's platform requires interfacing with outside entities whose methods, practices and standards may be outside of the Fund's control or who may be under the influence of bad actors. Events may occur where corrupted XRP, viruses and/or attachments are introduced into the Fund's platform, which could compromise the Fund's operation or result in loss of XRP, adversely affecting an investment in the Fund.

There exists the possibility that while acquiring or disposing of XRP, the Fund unknowingly engages in transactions with bad actors who are under the scrutiny of government investigative agencies. As such, the Fund's systems or a portion thereof may be taken off-line pursuant to legal process such as the service of a search and/or seizure warrant. Such action could result in the loss of XRP previously under the Fund's control. The development team and administrators of the Ripple network's source code could propose amendments to the network's protocols and software that, if accepted and authorized, or not accepted, by the XRP network community, could adversely affect the supply, security, value, or market share of XRP and thus an investment in the Fund. Further the Fund may be adversely affected by a manipulation of the XRP source code.

Risks Relating to Legal Claims

To the extent that the creation, use or circulation of XRP, or the Ripple network, generally, violates any foreign or domestic statute or regulation (such as the Stamp Payments Act of 1862 or U.S. federal counterfeiting statutes), or government, quasi-government, or private-individuals assert intellectual property claims against the Ripple network source code or related mathematical algorithms, the Fund could be adversely affected. The Fund cannot verify the legitimacy of claims to ownership of XRP invested in the Fund. To the extent that any individual, institution, government or other authority asserts a claim of ownership or wrongful possession over the XRP in the custody of the Fund, the Fund could be adversely affected. Regardless of the merit of such legal action, confidence in XRP and the Ripple network may adversely affect an investment in the Fund.

Risks of "Buy and Hold" Strategy

The Investment Manager intends to cause the Fund to purchase XRP to satisfy subscriptions and to sell

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[11] Note by AL: We have broker account with Snapswap, have permanent account with XRP II LLC, cash account with admin.

[12] Note by AL: Need to change "we" to XRP II LLC ?

XRP only to satisfy withdrawals. Absent withdrawal requests, the Investment Manager will not sell XRP on behalf of the Fund even if the Investment Manager believes that the trading price of XRP will decline significantly. Although the Investment Manager has the right to manage the Fund with the objective of realizing assets in an orderly manner and distributing the proceeds to Limited Partners in the event that the investment program of the Fund is no longer viable, the Investment Manager will not wind down the Fund based solely on a drop in the trading price of XRP, regardless of how significant. The Investment Manager's long-term, long only "buy and hold" strategy, the failure of a Limited Partner to submit a withdrawal, or the inability of the Fund to satisfy withdrawal requests could result in significant losses and potentially the loss of all of the Fund's capital.

Risks of Uninsured Losses

Though the Fund may seek to insure its XRP holdings, it may not be possible, either because of a lack of available policies or because of prohibitive cost, for the Fund to obtain insurance of any type that would cover losses associated with XRP. If an uninsured loss occurs or a loss exceeds policy limits, the Fund could lose a portion or all of its assets.

Accounting for Uncertainty in Income Taxes

Accounting Standards Codification Topic No. 740, "Income Taxes" (in part formerly known as "**FIN 48**") ("**ASC 740**"), provides guidance on the recognition of uncertain tax positions. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on recognition, measurement, classification and interest and penalties with respect to tax positions. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the net asset value of the Fund, including reducing the net asset value of the Fund to reflect reserves for income taxes, such as foreign withholding taxes, that may be payable by the Fund. This could cause benefits or detriments to certain investors, depending upon the timing of their entry and exit from the Fund.

Tax Considerations

The Fund's income and gain for each taxable year will be allocated to, and includible in, a Partner's taxable income whether or not cash or other property is actually distributed. Accordingly, each Partner should have alternative sources from which to pay its U.S. federal income tax liability or be prepared to withdraw such amounts from the Fund.

The Fund will be an "investor" rather than a "trader" in securities for U.S. federal income tax purposes. Therefore, non-corporate taxpayers will be subject to limitations on their ability to deduct their respective shares of certain expenses of the Fund. See "Taxation - Certain U.S. Federal Income Tax Considerations - Taxation of the Fund and the Partners - Limited Deduction for Certain Expenses" below.

The Fund may take positions with respect to certain tax issues that depend on legal conclusions not yet addressed by the courts. Should any such positions be successfully challenged by the IRS, a Partner might be found to have a different tax liability for that year than that reported on its U.S. federal income tax return.

In addition, an audit of the Fund's U.S. federal income tax information return may result in adjustments to the tax consequences initially reported by the Fund and may affect items not related to a Partner's investment in the Fund. If audit-related adjustments result in an increase in a Partner's U.S. federal income tax liability for any year, that Partner may also be liable for interest and penalties with respect to the amount of underpayment. The legal and accounting costs incurred in connection with any